

## Next Science 2023 June Quarterly Activity Report

### Highlights:

- 2QFY23 Product Sales (unaudited) increased 27% qoq and 71% yoy to US\$5.6m
- Direct channel Product Sales increased 50% qoq and 258% yoy to US\$4.3m
- 1HFY23 Unaudited Product Sales increased 92% yoy to \$10.0m
- Wound Care prescribers increased 85% qoq to 819
- XPERIENCE™ direct Product Sales increased 8% qoq and 58% yoy
- Record cash receipts for 2QFY23 increasing 40% qoq and 140% yoy to US\$5.3m
- Cash on hand for 30 June was US\$3.5m
- Payments to Directors US\$173k

**Sydney Australia Thursday, 27 July 2023:** Next Science Limited (ASX: NXS) (**Next Science**), a medical technology company focused on commercialising its proprietary XBIO™ suite of products to reduce the impact of biofilm-based infections in human health, is pleased to provide an update on its activities for the quarter ended 30 June 2023.

### Product Sales

Product Sales (unaudited) for 2QFY23 increased 27% qoq and 71% yoy to a record US\$5.6m. Quarterly performance continued the momentum evident in 1QFY23. The new Wound Care initiative of offering reimbursed Collagen with BLASTX™ continued to drive performance, with significant growth continuing in the direct XPERIENCE™ business.

Our direct sales team continues to drive the Company's performance and be the leading source of growth, contributing 77% of Product Sales in 2QFY23, up from 65% in 1QFY23.

Next Science ended 2QFY23 with a sales team of 45 across all direct channel product lines, as compared with 37 at the end of 1QFY23. An increasing number of the sales team are working towards the goal of reaching US\$1m in annual sales.

### Wound Care

The Wound Care business through the Durable Medical Equipment (DME) structure had a strong result, with clear improvement in prescriber adoption and sales productivity. Prescriber adoption increasing 85% qoq to 819. The Wound Care sales team expanded 32% qoq from 28 to 37.

Wound care sales for 2QFY23 increased 81% qoq and 99% qoq through the DME, reflecting the impact of adoption by high volume wound care centres (WCC) who have been seeking access to BLASTX™ and can now do so through the DME structure. Next Science has now sourced sales volume from approximately 200 out of the 1,800 WCC market in a relatively short space of time, evidence of the demand by prescribers for access to the unique Collagen / BLASTX™ combination.

# NEXT SCIENCE®

Reimbursement for wound care treatment is claimed through Medicare and a range of private payors. The DME is now selling in 42 States across the US, as compared with 36 in 1QFY23. Next Science expects to continue to build its coverage through the private payor market in 2HFY23, further enhancing the predictability of the business.

## Surgical

The Surgical business continued to build momentum at a steady pace. Direct Product Sales of XPERIENCE™ increased 8% qoq and 58% yoy. The hospital customer base increased a further 7% qoq / 43% yoy to over 200 hospitals. In accordance with the standard insurance cycle, we would expect to see stronger growth in 2HFY23 where patients seek to take advantage of reaching their deductible thresholds.

Next Science has appointed 31 new distributors YTD, bringing the contract distribution network to 85 entities and a sales team of over 200, achieving net growth in the distribution footprint. Further net growth in distributors is expected through the course of 2HFY23.

High volume utilisation remains at 10% of customers on a slightly larger footprint, with a second-tier group of customers continuing to build utilisation.

Next Science's top 15 customers now represent less than 44% of XPERIENCE™ sales as compared with 49% at 1QFY23, demonstrating increasing customer diversification. Geographic diversification is also starting to come through with slightly reduced sales concentration in the traditional South East and North East US. As the distribution network grows and adoption continues to develop, we expect the concentration of the revenue base to further reduce.

## First GPO Contract

Next Science is pleased to announce that it has signed a contract with Group Purchasing Organisation (GPO) HealthTrust to provide its members access to XPERIENCE™ from 1 August 2023.

HealthTrust is a leading GPO in the US serving 1,600 hospitals and 43,000 alternate sites of care including ambulatory surgery centres, physician practices and long-term care centres.

This contractual win is a significant milestone in our commercial strategy to leverage the power of our advanced surgical irrigation solution to combat surgical site infection (SSI), and deliver significant benefit to hospitals, clinicians, and patients.

SSIs are a leading cause of hospital acquired infection (HAI) at an incidence rate of c.20%<sup>1</sup> and a mortality rate of c.3%<sup>2</sup>. By addressing biofilm-based infection in people, Next Science expects to demonstrate a material reduction in overall SSI rates.

**We are continuing to make strong progress in overall product sales and note that our annualised run-rate has improved for the second quarter in succession.**

---

<sup>1</sup> Surgical site infections are the most common and costly of hospital infections; Guidelines for preventing surgical site infections are updated; Loyola University Health System. January 19, 2017.

<sup>2</sup> <https://pubmed.ncbi.nlm.nih.gov/22913334/>

## Operating Cashflow

Net operating cash outflows were US\$3.8m for 2QFY23, an improvement of 7% qoq. The result reflects:

- Cash receipts growth of 40% qoq as compared with cash cost growth of 15% qoq
- Scale efficiencies beginning to come through in the DME
- Staff costs increasing 25% to support growth in Wound Care sales and support functions

Record cash receipts of US\$5.3m increased 40% qoq / 140% yoy reflecting material improvement in the business. The cash receipts to revenue ratio improved to 95% from 83% at 1QFY23.

Cash receipts are expected to improve further in 2HFY23 and become more predictable through increasing the number of private payor insurance contracts executed through the year, thereby transitioning out-of-network coverage to in-network.

We expect growth in operating costs to moderate over 2HFY23, through scale efficiencies in the supply chain and DME customer acquisition costs, as well as more moderate growth in the sales team.

Cash on hand at 2QFY23 was US\$3.5m.

During 2QFY23, payments of US\$173,000 were made to the Directors of Next Science.

## Periprosthetic Joint Infection Study

Recruitment for the 7,600-patient study into Periprosthetic Joint Infection (PJI) through the Ottawa Hospital Research Institute in Canada (**Canada PJI study**) resulted in 62 patients enrolled in the first site. Another six sites are pending completion of contracts. This study will be one of the largest Orthopaedic studies conducted.

This clinical trial (prospective, multi-centre, double-arm, parallel, interventional, randomised, controlled) will assess the rate of periprosthetic joint infection (<90 days post-surgery) in patients undergoing primary total knee arthroplasty, total hip arthroplasty or hip resurfacing (HR) with XPERIENCE™ Advanced Surgical Irrigation versus dilute Betadine.

The scale of the study is designed as part of our objective of XPERIENCE™ becoming standard of care. Next Science will report on progress with recruitment on a qtrly basis.

## Outlook

The development of the direct sales channel continues to drive strong growth for the Company, with an acceleration of growth in the last quarter. The direct sales approach is proving successful with 77% of sales emanating from this channel in 2QFY23, evidence of the business taking control of its own destiny.

Through the period, Next Science rapidly expanded its presence in the high volume WCC channel to build upon the foundations laid in the Private Office (PO) market. Penetration into the WCC channel will continue with significant runway ahead. Next Science is also beginning to enter the Long-Term Acute Care (LTAC) and Skilled Nursing Facilities (SNFF) channels

# NEXT SCIENCE®

where we expect further opportunity to drive revenue expansion and channel diversification in the commercial Wound Care market.

XPERIENCE™ continues to expand its customer base and is building upon improving distributor alignment. The first GPO contract for XPERIENCE™ with HealthTrust is expected to accelerate access to hospitals and patients.

The appointment of the new Managing Director and CEO(**CEO**), I.V. Hall, who commenced 10 July 2023, is a significant development for the Company. Next Science is fortunate to secure the services of someone with the pedigree of I.V. Hall, to drive the next phase of growth and path to profitability.

I.V. Hall has had a stellar 28-year career in the Orthopaedic sector, most recently being responsible for a global portfolio and execution strategy for a US\$3.2bn platform including upstream marketing and commercial planning in the Global Orthopaedic unit of DePuy Synthes. I.V. Hall is a global leader and through his career has developed an extensive network of Orthopaedic Key Opinion Leaders (KOLs) worldwide, that will serve to build wider adoption of our XBIO™ technology.

**Commenting on Next Science's outlook, CEO, I.V. Hall, said** "We are delighted to see a second consecutive quarter of strong growth, particularly through our direct sales channel and the doubling of the DME wound care business over the previous quarter. We are successfully expanding and diversifying our wound care sales channels, which is a testament to the traction we are observing in the commercial wound care market with our unique Collagen and BLASTX™ offering. Securing our first GPO contract with HealthTrust is a major milestone for the surgical business, and we look forward to the expanded access patients will now have for our advanced surgical irrigation product, XPERIENCE™. As Next Science's new CEO, I am excited by the prospects for our business and the opportunities that are presenting themselves across both the wound care and surgical businesses. I look forward to the opportunity to engaging with all our stakeholders, and to bring them along the journey toward changing standard of care for patients across the different applications for our XBIO™ technology."

Former CEO, Judith Mitchell, will stand down as a director of the Company on 31 July 2023. However, Ms Mitchell has agreed to continue to assist with the CEO transition through to 31 August 2023.

## Next Science Investor Information

Next Science welcomes direct engagement and encourages shareholders and interested parties to visit the Next Science Investor Hub which provides additional background information, videos and a forum for stakeholders to communicate with each other and with the company. Stakeholders can communicate directly with Next Science through this link:

<https://investorhub.nextscience.com>

## Further Information:

### Martyn Jacobs

Head of Investor Relations

Phone: +61 412 785 180

Email: [mjacobs@nextscience.com](mailto:mjacobs@nextscience.com)

# NEXT SCIENCE®

Approved and authorised for release by the Board of Directors.

## About Next Science

Next Science is a medical technology company headquartered in Sydney, Australia, with a research and development centre in Florida, USA. Established in 2012, the company's primary focus is on the development and continued commercialisation of its proprietary X BIO™ technology to reduce the impact of biofilm-based infections in human health. X BIO™ is a unique, non-toxic technology with proven efficacy in eradicating both biofilm-based and free-floating bacteria. Next Science owns 100% of the patent protected intellectual property relating to its X BIO™ technology. For further information visit: [www.nextscience.com](http://www.nextscience.com)

## Forward looking statements

This announcement may contain forward looking statements which may be identified by words such as “believes”, “considers”, “could”, “estimates”, “expects”, “intends”, “may” and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involved known and unknown risks uncertainties, assumptions and other important factors, many of which are beyond the control of Next Science or its Directors and management and could cause Next Science's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.